

HOME REPAIR AND IMPROVEMENT CONTRACTORS
BUSINESS AND INDUSTRY PROFILE

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HOME REPAIR AND IMPROVEMENT CONTRACTORS

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NOTE: Every effort has been made to ensure that the information contained in this booklet is comprehensive and accurate. However, this is not a legal document and should not be used exclusively to determine legal liability.

HOME REPAIR AND IMPROVEMENT CONTRACTORS
(SIC 1521 and 1522)

GENERAL INDUSTRY INFORMATION

BUSINESS TYPE, INDUSTRY CHARACTERISTICS AND PROSPECTS

Nature of the Business

Home repair and improvement contractors are included under the Standard Industrial Classification (SIC) number 1521, General Contractors-Single Family Houses. These general contractors, although primarily engaged in the construction of single-family homes, also perform a variety of improvements and work repairs including; building alterations, home improvements, mobile home repair, building remodeling, building renovation, and building repair. The firms engaged primarily in the construction and repair of multi-family housing are assigned SIC number 1522. The potential home improvement contractor may find himself/herself overlapping in the types of jobs he or she might undertake, but for comparative purposes, the examples below refer to these two subgroups.

Trends in the Industry

A home repair and improvement contractor may not have a large investment in materials, but the profit on the completed job is usually less than that for a contractor who specializes in new construction. Therefore, a home repair and improvement contractor must maintain a steady stream of smaller jobs to remain profitable. In order to balance the strengths and weaknesses of these extremes, many new contractors will accept most repair or construction jobs while developing a good reputation for quality work. Very few new contractors are able to limit themselves exclusively to the building of single-family homes.

Industry Growth

The construction of new single-family homes is highly cyclical. Adverse weather and the nature of the local and national economies impact on the strength of this industry, especially during a period of high interest rates and a downturn in the economy.

For example, according to the U.S. Department of Commerce, housing starts during the early 1980's recession fell by four percent over the previous year. However, during the same period some localities, such as DuPage County in Illinois, showed double-digit growth in housing starts. When interest rates are low, new housing starts increase, but according to the National Association of the Remodeling Industry, when interest rates are

high many homeowners choose to remodel or improve their existing homes.

In 1989, more than \$100 billion was spent on home remodeling or repair. Eighty percent of this work was performed by outside contractors with the rest achieved by the property owners. A contractor who handles a variety of jobs will be better able to withstand market slumps.

MARKET OPPORTUNITIES IN VARIOUS SIZED COMMUNITIES

Marketing Plan

Before starting a home repair and improvement business, the owner(s) should develop a marketing plan. A marketing plan is basically a blueprint for outlining possible customers for the business which should include important information about the venture. Topics that should be addressed include: whether or not the area can support the proposed venture; the existence of an unidentified market niche that may be exploited; the level of competition in the area; the current customer base population; income and growth trends; competitive pricing strategies; and a variety of other facets of the business that owners need to know to develop a viable and profitable business.

Assistance in developing a marketing plan may be obtained from many sources some at cost, others for free. A few sources for assistance and information are: small business development centers located at colleges and universities throughout the state; professional service companies such as accounting firms, private consultants, legal firms, etc.; service organizations such as chambers of commerce or the Service Corps of Retired Executives (SCORE); other public sources such as public libraries, college and university classes, etc.

Market Data

Market potential and demographic data (e.g., average household income, number of households, and number of businesses) may be obtained by contacting the local chamber of commerce, the public library, or city and county government. Existing home repair and improvement firms may be contacted to determine what services they offer and what they charge. Any prospective entrepreneur considering the home repair and improvement business should check with the suppliers of building materials. They may be able to provide information on the current construction and remodeling market.

FRANCHISING

Franchise opportunities offer an alternative to starting a

business from the ground up. Franchising gives the entrepreneur an opportunity to use mass buying power, training programs, specific territory, experience, and name recognition of the franchisor to build a viable and profitable business.

Franchising is a relatively new phenomena in the construction business. Typically, the franchise is in a specialized area of the repair and improvement business. There are franchising firms that offer a wide variety of services. Generally fees run from approximately \$25,000, to as high as \$50,000, along with an annual percentage of the gross of between 2.5 percent and 10 percent.

Most franchising firms provide training of key managers at their home offices. Video cassettes may be provided to illustrate correct techniques for performing certain types of construction activities. Ongoing training is generally provided, especially as new equipment or improved service products are introduced. Information on franchise opportunities is available from several reference sources, including The Source Book of Franchise Opportunities, written by Robert E. Bond, and published by Dow Jones-Irwin. (See Directories and References at the end of this profile).

COSTS/FINANCIAL CONSIDERATIONS

COSTS AND TYPES OF ASSETS NEEDED TO START THE BUSINESS

Investment Factors

Initial investment factors to consider include: the capital required to operate the business until the break-even point is reached; the capital needed for wages; the working capital needed for six months; unforeseen expenses; and necessary supplies and equipment; the types of insurance coverage necessary and their cost; the cost of required on-site improvement.

Capital Requirements

Start up costs vary from place to place. However, reviewing average business costs will provide valuable comparisons for entrepreneurs interested in entering the home repair and improvement business. The following is a list of typical costs:

Basic Equipment	\$ 45,000
Supplies	20,000
Lease	22,000

License and Taxes	1,400
Working Capital	75,000
Total	\$163,400

Average Expenses

The Almanac of Business and Industrial Financial Ratios provides expense breakdowns for corporations representative of major SIC industry groups, using Internal Revenue Service published data. The following expenses, listed as a percentage of revenues, were provided in 1986 for firms with under \$100,000 in assets and for those with assets ranging from \$100,000 to \$250,000.

EXPENSE ITEM	COMPANIES	COMPANIES
	WITH ASSETS OF UNDER \$100,000	WITH ASSETS OF 100,000 50,000
Cost of operations	70.5%	75.6%
Compensation of officers	4.4	4.6
Repairs	0.3	0.4
Bad debts	0.0	0.1
Rent on business property	0.9	0.8
Taxes (exc. Federal taxes)	2.4	2.2
Interest	0.6	0.9
Depreciation/amortization	1.3	1.8
Advertising	0.3	0.1
Pension/benefit plan	0.4	0.7
Other expenses	15.6	9.4
Net profit before taxes	3.3%	3.4%

Average Balance Sheet Data

The breakdown of assets, liabilities, and net worth for a home repair and improvement contractor in 1988, according to Dun and Bradstreet, Inc. was as follows:

ASSETS		DEBTS AND NET WORTH	
Cash and near cash	17.0%	Accounts payable	12.0%
Accounts receivable	19.0	Bank loans	4.0
Notes receivable	1.0	Other notes payable	4.0
Inventories	10.0	Other current debts	16.0
Other current assets	16.0	Total current debts	36.0
Total current assets	63.0	Other long-term debts	15.0
Fixed assets	21.0	Deferred credits	0.0
Other noncurrent assets	16.0	Net worth	49.0
Total assets	100.0%	Total debts/Net worth	100.0%

"Near cash" refers to checking or savings accounts that may be liquidated easily. "Other noncurrent assets" generally refers to

intangible assets such as leaseholds or leasehold improvements. "Fixed assets" are a mixture of land and buildings, equipment, and vehicles.

"Accounts payable" are amounts owed to suppliers of inventories and equipment. "Bank loans" are amounts owed to lenders of capital. "Other long-term debts" include both equipment and mortgage notes.

Revenue and Profitability

A typical home repair and improvement firm, with assets of \$203,000 and net worth of \$100,000, should generate annual revenues of roughly \$600,000. A breakdown according to Dun and Bradstreet of the average revenues into dollars and percentages for a firm in 1988 with the SIC of 1521, is shown below.

ITEM	DOLLARS	PERCENT
Sales / revenues	\$600,000	100.0
Gross profits		26.1
Net profit after taxes		6.4

TYPICAL BUSINESS RATIOS FOR OTHER FIRMS IN THE INDUSTRY

The comparison of actual operations with typical, industry-wide ratios can be helpful in making decisions concerning service charges, budgeting, and realistic profit expectations. These ratios are also helpful in preparing projected financial statements, (cash flow projections, income statements and balance sheets) for loan purposes, as well as comparing existing company data with industry averages to identify company strengths and weaknesses.

According to Dun and Bradstreet, Inc., the median key financial ratios for home repair and improvement firms in 1987, were as follows.

Solvency Ratios

Quick ratio (cash + accounts receivable/current liabilities) 1.1 to 1
 Current ratio (current assets / current liabilities) 1.8 to 1
 Total debts to net worth 84%

The quick ratio expresses the degree to which a company's current obligations (expenses) are covered by the most liquid current assets, i.e., cash and customer payments due the company. The current ratio is a rough indication of the "cushion" between current obligations and a firm's ability to pay them from current assets. Total debts to net worth compares total liabilities in

the form of debt with owner equity, which for small firms usually does not exceed 100 percent. Thus, owners have more at stake than creditors.

Efficiency Ratios

Collection period (accounts/sales x 365)	22 days
Sales to inventory (net sales/inventory)	22 times
Assets to sales (total assets/annual net sales)	34%

The quality of the receivables (degree to which customers pay their bills on time) of a company can be determined through the "collection period", with allowances made for possible variations in selling terms, if the company differs from the industry. The sales-to-inventory relationship is a guide to the rapidity at which merchandise is being moved, which has a direct effect on the flow of funds into the business. The assets to sales ratio ties in sales and the total investment that is used to generate those sales. A firm is "overtrading" (handling an excessive volume of sales in relation to investment) or "undertrading" (not generating sufficient sales to warrant the assets invested).

Profitability Ratios

Return on sales (profit after tax/annual net sales)	5.5%
Return on net worth (profit after taxes/net worth)	24.4%

Return on sales reveals the profits earned per dollar of sales and, therefore, measures the efficiency of the operation and is an indicator of the ability to withstand falling prices, rising costs and declining sales. Return on net worth (return on equity) is used to analyze the ability of the firm's management to realize an adequate return on the capital invested by the owners of the firm. Generally, a relationship of at least ten percent is regarded as a desirable objective for providing dividends plus funds for future growth.

MANAGEMENT CONSIDERATIONS

DEVELOPMENT AND SITE LOCATION

Location

Overall, the location should be accessible to clients while at the same time supplying sufficient space for the contractor. The firm will probably not have a lot of walk-in business. Because of the need for sufficient parking for service vehicles, workers and customer cars, it is likely that the home repair and improvement

firm will be located near an industrial park or on the outskirts of town. Other considerations in locating the business are adequate storage space, expected traffic patterns and signage restrictions.

Zoning

When selecting a location and a specific site for the business, consideration must be given to local zoning requirements. Some communities forbid, through zoning ordinances, the establishment of home-based businesses. It is essential to check these local restrictions prior to contracting to rent, lease or buy a property for the business.

Health and Safety Considerations

Health and safety requirements, many of which are mandated by the Occupational Safety and Health Administration (OSHA), are also important factors in the location of the business. Health and safety issues to consider include proper ventilation and fire extinguishing systems, as well as the use of hazardous materials.

EXPERIENCE AND TRAINING NEEDS

Management/Owner Training

Business training for management/ownership of a firm should include general management, marketing, finance, and accounting. The owner must be able to estimate the cost of a proposed job, be familiar with costs and expenses, and be able to communicate with customers. While a business degree is not required, some basic business skills should be achieved. Many community colleges offer basic business courses and the Illinois Small Business Development Centers offer a series of workshops on topics ranging from business accounting to taxes, and from hiring to managing personnel. Home repair and improvement manager/owners should have hands-on experience. Beyond having building and repair skills, the owner should be able to read blueprints and design simple plans. Most public high schools offer shop classes which teach basic building techniques. Many community colleges offer programs designed to teach construction skills. Some universities offer degrees in construction management. Many contractors also receive a great deal of their training working on-the-job.

Employee Training

The contractor's employees must be able to read and follow instructions. They should be able to work independently and handle most all of the services offered by the business. The owner should be confident that any work completed by the employee

will be of good quality.

KEYS TO SUCCESSFUL MANAGEMENT

Markets

In order to be successful, the management of a home repair and improvement firm must know its competition, have a vision as to the markets it can cultivate, promote a helpful atmosphere for both clients and employees, and strive for profitable accounts.

Management of a home repair or improvement firm should be able to gauge the approximate saturation point in a given market area. Markets should be developed where growth potential exists and where the firm has a price or some other advantage. Effective labor and supply cost controls should be followed by the owners and employees. The firm's operating objective should be to develop a good reputation in the industry for quality work at a fair price.

Organization

A well-run organization should have a clearly defined organizational structure with key personnel to work in the areas of management, engineering, marketing, and accounting/finance. In a small business, the responsibility for most of these roles ultimately rests with the owner/manager of the firm.

Customer Relations

All employees in a home repair and improvement firm should be courteous to the clients. Outside of qualifications, this is the most critical issue for any business. If a firm is unable to maintain a friendly, courteous relationship with its customers, it will not be successful.

Employee Relations

Employee attitudes and perceptions play a great role in the success of a business. Poor employee morale can impact on all areas of the business, from customer relations to the quality of work. As a result, it is important to maintain a friendly, open relationship with employees at all times. In addition, it should be the policy of the firm to pay an adequate wage and to provide health care coverage, sick leave, promotional opportunities and other benefits. On the whole, these activities will help attract and retain well trained, high quality employees.

Advertising

Newspaper ads, telephone directory yellow page listings, and direct contact (telephone or mailings) are some methods of advertising home repair and improvement firms. Service vehicles often bear company logos with a brief listing of services offered, and a business telephone number. Billboards are used by some firms in the industry. Recommendations by word of mouth are extremely important to home repair and improvement contractors.

GENERAL START-UP ISSUES

FINANCING METHODS

The ability to raise initial capital is critical for business start-ups. According to a survey conducted by Western Illinois University, one-half of entrepreneurs reported difficulties in obtaining financing, including both initial and working capital. The survey also found that entrepreneurs relied heavily on personal funds, in addition to investments from family and friends. In fact, the survey indicated that approximately one-half of initial funds came from these sources. On the average, bank loans accounted for nearly one-third of initial capital. Other private lenders, government agencies, venture capital and stock placements only rarely provided initial capital for businesses.

About one-half of both goods and service-producing firms surveyed had applied to lending institutions for credit. Only five percent of goods-producing firms had been denied credit more than once, while approximately 18 percent of service-producing firms reported credit denials. The most frequent reasons for credit denial included lack of adequate collateral and a policy of not lending to the type of business applying for credit. Since obtaining credit is difficult, many entrepreneurs find it necessary to finance a business through a combination of sources of funds. Following are descriptions of several common types of financing.

Equity Sources

Equity sources of funds are the entrepreneur's personal funds or assets or the funds or assets of other investors in the business.

Banks often require a minimum equity investment of 20 to 25 percent.

Personal Savings or Insurance -- Individuals with bank passbooks, certificates of deposit, U.S. savings bonds, permanent life insurance (with a cash surrender value), or other savings should view these as a source of financing. Conversion of these savings (or borrowing funds using these savings as collateral) should be explored carefully to determine the effect on the family if funds

are not repaid.

Personal or Family Investors -- Next to personal assets, this is the most commonly used source of equity financing and perhaps the one source most abused. A business owner who secures equity funds from family members or friends should enter the relationship on a strictly professional business basis. Potential family conflicts which might result from the business might be avoided by preparing a simple contract to designate the details of the business arrangement.

Personal Assets -- An individual may have accumulated some equity in personal assets such as a vacation home, a second vehicle, or recreation equipment such as a boat, camper, etc. People starting a new business and trying to finance the business could sell these assets to generate funds to capitalize the business. This offers the advantage of not having loan debt to repay during the early years of a business and also shows potential investors and lenders the commitment of the owner.

Debt Financing

Entrepreneurs should be aware of typical lending practices, sources of funds and different types of credit (and their respective costs) before approaching lending sources.

Institutional Investors -- Banks, savings and loans, and commercial credit companies expect the small business owner to make a significant personal investment (equity) in the business prior to any lending activity. The lack of personal investment is viewed as a sign of greater risk and less commitment on the part of the owner. Smaller loans can sometimes be obtained through a bank's consumer loan division. Security in the form of a second mortgage on the borrower's house or a lien on property such as an auto is usually required.

Leasing Agents -- Leasing companies allow small start-up firms to obtain needed equipment with a small cash down payment and regular monthly payments. Leasing has advantages and disadvantages both for the leasing agent and the small business that rents equipment. Leasing companies may be able to use favorable federal tax advantages (such as depreciation allowances), and thus lease terms are often only slightly higher than if the asset were financed with a bank note. However, if the lease is an operating contract (not a lease to purchase), the leasing company retains ownership.

Trade Credit -- Although it is often overlooked, trade credit is a frequently used means of debt financing. Trade credit is extended from suppliers who accept deferred, rather than immediate, cash payment. Trade credit conceivably could be

generous enough to allow use or resale of the product, so that the customer's cash can be used to pay the supplier.

Factoring Companies -- Another mechanism for assisting business owners is improving cash flow through factoring, or the sale of their accounts receivable. Factoring companies purchase accounts receivable from business owners. The business owner generally pays the factoring company a fee or percentage of the invoice (based on the strength of the receivable) for the transaction as well as interest costs of borrowing money, but can obtain cash without waiting the normal 60 to 90 days for payment.

Public Sources

Public sources of funds include federal, state or local governments which may loan money to small or emerging businesses at relatively low rates of interest as a method to improve the economy. Public sources also generally take a second position on the collateral so that the bank has first claim to the assets if the loan defaults. Although public funds have their limitations, entrepreneurs should explore such funds. Most public sources of funds require 20-25 percent owner equity, additional private bank financing, and some guarantee that job creation will occur.

Federal Sources -- An example of a public source of funds is the U.S. Small Business Administration (SBA), which offers a variety of loan programs to eligible existing and start-up small businesses which cannot borrow on reasonable terms from conventional lenders without government assistance.

Local Revolving Funds -- Many communities in Illinois use available economic development funds to establish revolving loan pools to promote business and industrial growth.

State Loans -- The Illinois Department of Commerce and Community Affairs offers several important financing programs to help start-up businesses. Each of these should be considered, along with their associated requirements. For more information on financing programs, contact the Illinois Small Business Hotline (1-800-252-2923).

FORM OF ORGANIZATION

There are three basic forms of business organization, each of which offers distinct advantages and disadvantages for a prospective business owner. The main considerations in selecting a form of organization include:

- Cost and complexity of formation;
- Tax and securities law implications;
- Need for attracting additional capital;

- Investors' liability for debt and taxes; and
- The goals and purpose of the enterprise.

Each of these should be thoroughly discussed with an attorney and an accountant prior to selecting one of the following forms of business.

Sole Proprietorship -- A sole proprietorship is owned and operated by an individual. Advantages of this form of organization include ease of formation and relative freedom from government controls and restrictions. Disadvantages include less access to capital and financial resources. Also, this form of business organization provides less protection with regard to personal liability. For instance, the owner may be required to sell personal property, including home, car, etc., to repay debts resulting from the business.

Partnership -- Generally, a partnership is defined as two or more individuals carrying on an association as co-owners of a business for profit. Typical partnership agreements are in writing and are prepared by an attorney. The agreement defines how much owner equity each partner must contribute, the extent to which each partner will work in the company and the share of the profits or losses to be received by each of them. It is desirable to have the agreement prepared by an attorney. As with sole proprietorship, a general partnership exposes the owners to personal liability. If the business is not successful and the partnership cannot pay all it owes, the general partners may be required to do so using their personal assets. Limited partners are exposed only to the extent of their investment in the partnership.

Corporation -- A corporation is a distinct legal entity and is the most complex form of organization. A corporation may sell shares of stock, which are certificates indicating ownership, to as many people as is desirable. The shareholders then elect a board of directors, which selects a president and other officers who run the company on a day-to-day basis. Among the advantages of corporate formation are limited liability of the shareholder and ease of transferring ownership. Electing S Corporation status is another option when starting a business. In general, an S Corporation does not pay a tax on its income. Instead, the income and expenses of the corporation are divided among its shareholders, who then report this data on their own income tax returns. To qualify for S Corporation status, a corporation must meet several requirements, one of which limits the number of shareholders to 35. All shareholders must also consent to the S Corporation status.

For further information regarding S Corporations, contact the Internal Revenue Service (IRS) at 1-800-424-1040 or request a copy of Publication 589, Tax Information on S Corporations, by calling 1-800-424-3676.

LICENSING/REGISTRATION

Assumed Names Act -- Once a decision has been made regarding the form of organization for the business, it must be registered to legally conduct business in Illinois. Under the Illinois Assumed Name Act, sole proprietorships and partnerships must register with the county clerk if the name of the business will operate under a name other than the owner's full legal name (e.g., "John Doe" would not need to file; "John Doe's Cleaners" would). Limited partnerships and corporations are required to register with the Illinois Secretary of State's Office. More detailed information on business registration is contained in the "Starting a Small Business in Illinois" handbook, which can be obtained by contacting the Department of Commerce and Community Affairs' Small Business Hotline at 1-800-252-2923.

Certificate of Registration -- Most businesses must register with the appropriate state agency to submit tax or informational returns or to collect and remit sales taxes. In Illinois, business owners must contact the Department of Revenue to determine if an Illinois Business Taxpayer Certificate of Registration (Business Tax Number) is required for the business. Contact the Department of Revenue at either of the addresses listed under Information Sources.

Unemployment Insurance Liability -- Businesses that hire employees may be required to make unemployment insurance contributions to the state. Liability is determined by the Illinois Department of Employment Security (DES). The form, "Report to Determine Liability," and instructions for completion are available through the Small Business Hotline or by contacting either of the DES offices listed under Information Sources.

Local Regulations -- Most local jurisdictions require that business operation licenses be applied for and renewed annually. Where crowds of people are in attendance, fire codes concerning rest rooms and fire exits are in effect. Fire and safety inspections may be made periodically by the local fire and safety inspector. Contact the city or county clerk for information on licensing, inspections, sign restrictions, and other local regulations.

Federal Employer Identification Number (FEIN) -- Every partnership, corporation and S Corporation must have a FEIN to

use as its taxpayer identification number. A sole proprietorship must also have a FEIN, if it pays wages to one or more employees or files any excise tax returns, including those for alcohol, tobacco or firearms. (Otherwise, a sole proprietor can use his or her social security number as a business taxpayer identification number.) To apply for a FEIN, use form SS-4, Application for Federal Employer Identification Number. To receive a FEIN application contact the IRS Hotline at 1-800-424-3676. The application is also included in the One Stop Business Start-Up Kit and can be obtained by calling the Illinois Small Business Hotline at 1-800-252-2923.

TAXES

Taxation for small businesses can be quite simple or very complex, depending on the size and type of operation. The following list outlines the major taxes which may impact a business. Of course, the tax liability of each business will be different, based on sales volume, form of organization, etc.

Business Taxation

Income Tax -- Every individual, corporation, trust, and estate residing in Illinois or earning or receiving income in Illinois must pay an income tax based on net income. A sole proprietor must pay individual income taxes on earnings from the business. In a partnership, each partner must pay taxes on the distributive share of partnership income. Corporations must pay a corporate income tax.

Franchise Fees -- In addition, corporations are assessed a franchise tax each year. Corporate franchise taxes are administered and collected by the Secretary of State's Office.

Replacement Tax -- Illinois does not have a personal property tax, but does have a personal property replacement income tax. The replacement tax is also applied to the net income of partnerships, corporations, and trusts. S Corporations are subject only to replacement tax.

Sales Taxes

Four categories of taxes comprise the state and local sales taxes. These are the Retailers' Occupation Tax, the Use Tax, the Service Occupation Tax and the Service Use Tax. State, county and municipal governments, and certain mass transit districts may levy Retailers' Occupation, Use and Service Occupation taxes, subject to criteria and rate limits established by Illinois law.

Additional information regarding the various types of sales taxes may be obtained by contacting the Illinois Department of Revenue at 217-782-2972 or 1-800-732-8866.

A list of items which are exempt from Illinois Sales Tax is contained in "Starting a Small Business in Illinois" which can be obtained through the Illinois Small Business Hotline (1-800-252-2923). For further information on Sales Tax regulations or the Illinois Retailers' Tax Booklet (NUC-19), contact the Department of Revenue at 217-782-2972 or 1-800-732-8866.

Real Estate Taxes

All for-profit real estate owners are required to pay property taxes. The property tax rate is determined by local taxing districts and taxes are paid to the township or county tax collector in the year following assessment.

Withholding Taxes

Certain taxes, including state and federal income taxes and FICA (Social Security), must be withheld from employee wages and remitted to the government. You may be required to register with both the federal government and the State of Illinois for tax withholding purposes.

Federal Withholding -- To register with the federal government, contact the Internal Revenue Service at 1-800-424-3676 and request: Your Business Tax Kit (YBTK) for either a sole proprietorship, partnership or corporation; Tax Guide for Small Business (Publication 334); and Employer's Tax Guide (Publication 15).

State Withholding -- To register with the State of Illinois, contact the Illinois Department of Revenue Hotline at 1-800-732-8866 or write to the department at:

100 W. Randolph, Concourse 300
Chicago, Illinois 60601
62794
312-814-5258

101 West Jefferson Street
Springfield, Illinois
217-785-3707

BUSINESS SERVICES

Legal Counsel

Attorneys can provide services fundamental to the success of the business. A competent attorney can advise on such issues as choosing the most appropriate type of business organization; complying with local, state and federal regulations; obtaining licenses and permits; preparing contracts; and resolving tax questions

Attorneys also can provide professional help when dealing with other parties such as financial institutions, owners of possible business locations, union officials, governmental bodies, franchising companies, suppliers and customers. In addition, problems may arise requiring the services of an attorney, including collection problems with customers, disputes with creditors or employees, or expansion opportunities.

There are several methods for selecting an attorney. An initial course of action might be to seek recommendations from other business owners. Another method of finding an attorney is to contact the Illinois State Bar Association Lawyer Referral Service at 1-800-252-8916. The Martindale-Hubbel Law Directory may also be helpful. It contains a listing and rating of attorneys in your city; a copy may be found at the local library. The public library is also a source for reference books on legal topics. One such book is Small Business Legal Advisor by William A. Hancock, published by McGraw-Hill.

Bookkeeping

Access to proper information is provided by a sound bookkeeping system. Functions of a good system include:

Receipts and Expenses -- Creating and maintaining an accounting system for the accurate and timely recording of the company's cash receipts, disbursements, sales and operating expenses.

Financial Statements -- Preparing periodic financial statements (balance sheet and profit and loss statement) and establishing systems that track accounts receivable and payments due.

These responsibilities may be undertaken from within or outside of the business, depending on the size and nature of the business and the owner's experience and available time. An accountant, attorney or banker can help determine a firm's needs for a bookkeeper or bookkeeping service.

Accounting

In addition to bookkeeping requirements, a need may arise for the services of a certified public accountant (CPA), an accountant who has passed a written examination prepared by the American Institute of Certified Public Accountants and who has received a state license for the public practice of accountancy. Most CPAs provide the following services:

Auditing -- Although a bookkeeper employed by the firm may maintain accounting records and prepare financial statements,

banks and other lenders frequently require an independent audit prior to granting a loan and during the loan repayment period.

Tax Preparation -- The tax services provided by CPAs include planning transactions for the lowest present and future tax liabilities, preparation of tax returns, conferences with taxing authorities who are examining prior years' tax returns and estate planning.

Consulting -- Some CPAs provide assistance in reducing costs, improving reports, installing or upgrading accounting systems, budgeting and forecasting, conducting financial analyses, controlling production, controlling quality, compensating personnel, and managing records.

The Independent Accountants Association of Illinois (IAAI), established in 1949, can refer a competent accountant to the potential Illinois small business person. Many of the IAAI accountants are "Enrolled Agents, " licensed to represent a client before the IRS should the client's tax return be audited.

For more information, write the Independent Accountants Association of Illinois, Elk Grove Village, Illinois 60648, or call 312-593-1179.

Insurance Coverage

A well planned insurance program is essential for protecting a business' from unforeseen losses and significant financial burdens. In organizing an insurance program, there -are three basic considerations: recognize the perils facing the business and the potential loss from each; investigate the methods by which the cost of coverage can be reduced, which includes "shopping" for appropriate insurance plans; and prepare an insurance plan that is compatible with the operation and goals of the business. A qualified insurance agency or broker can explain options, recommend the best coverage and help save money.

Four types of insurance coverage are essential: fire, liability, vehicle and workers I compensation. Other desirable types of insurance coverage include business interruption, crime, and key employee.

INFORMATION SOURCES

There are a variety of resources available to assist with starting a business. Local libraries, chambers of commerce, community colleges, and universities are excellent sources of information.

SMALL BUSINESS HOTLINE

In Illinois, many of the forms needed to start a business may be obtained from the Illinois Small Business Hotline, a program of the Illinois Department of Commerce and Community Affairs Small Business Assistance Bureau. State business forms, permit and license information, and general business information, such as the "Starting a Small Business In Illinois Handbook", are available from the Small Business Hotline (1-800-252-2923).

BUSINESS DEVELOPMENT CENTER NETWORK

The Illinois Business Development Center Network and Service Corps of Retired Executives (SCORE) offices can provide technical assistance, business plan development, finance, marketing, management, international trade, government procurement, energy management, and commercialization of technology-related products. Additional information on these services is available through the Small Business Hotline.

SMALL BUSINESS RESOURCE CENTER

The Small Business Resource Center is a Chicago-based center that provides information on area Small Business Development Centers and other state and local service providers. For more information, call the Small Business Hotline.

The U.S. Small Business Administration offers many publications for a minimal fee. A list of these management aids is available from the Small Business Hotline. Several sources of information are useful for improving the level of profitability of a home repair or improvement firm or for learning more about this type of operation. These include trade associations, and directories, reference books, periodicals, ratio studies, and government publications/assistance. A list of these for the home repair industry is given below.

TRADE ASSOCIATIONS

National Association of the Remodeling Industry.
4900 Seminary Road
Suite 320
Alexandria, Virginia 22311
email: rir@nari.org
website: <http://www.nari.org/>

DIRECTORIES AND REFERENCE BOOKS

Better Homes and Gardens Complete Guide to Home Repair, Maintenance, and Improvement. Meredith Corporation, 1716 Locust, Des Moines, IA 50336. (800) 678-8091 or (515) 284-2363.

Home Renovation. Van Norstrand Reinhold Co., 115 5th Ave., New York, NY 10003. (800) 926-2665 or (212) 254-3232.

Manual of Professional Remodeling. Jones, J. Craftsman Book Company, 6058 Corte Del Cerdo, Box 6500, Carlsbad, CA 92008. (800) 829-8123 or (619) 438-7828.

The Source Book of Franchise Opportunities. Bond, Robert E., Bond, Christopher E., Dow Jones-Irwin, 1818 Ridge Rd., Homewood, IL 60430. (800) 634-3966.

PERIODICALS

Building, Building Products; Kitchen and Bath; Remodeling. Henley-Wood Publishing Co., 655 15th St., N.W., Suite 475, Washington, DC 20005. (202) 737-0717.

Homeowner Magazine. Family Media, 3 Park Ave., New York, NY 10016. (212) 779-6752.

NARI Focus. National Association of the Remodeling Industry, 1901 N. Moore, Suite 808, Arlington, VA 22209. (703) 276-7600.

FINANCIAL RATIOS

Almanac of Business and Industrial Financial Ratios. Prentice-Hall Inc., 1818 Ridge Rd., Englewood Cliffs, NJ 07632. (800) 922-0579 or (201) 592-2000.

Annual Statement Studies. Robert Morris Assoc., 1 Liberty Place, 1650 Market St., Philadelphia, PA 19103. (215) 851-9100.

Industry Norms and Key Business Ratios. Dun and Bradstreet Credit Services, 1 Diamond Hill Rd., Murray Hill, NJ 07974. (800) 223-0141 or (908) 665-5224.

GOVERNMENT PUBLICATIONS

CENDATA. U.S. Department of Commerce, Bureau of the Census, Executive Plaza, Room 315, Washington, DC 20233-0001. (301) 763-2074.

County Business Patterns - Illinois. U.S. Dept. of Commerce, Bureau of the Census. Order from: Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. (202) 783-3238. In Chicago: Government Printing Office Bookstore, 219 S. Dearborn, Chicago, IL 60604. (312) 353-5133.

Small Business Information Bibliography. Illinois Department of

Commerce and Community Affairs, 620 E. Adams Street, Springfield, IL 62701. (217) 524-4843.

Statistics of Income Bulletin. Superintendent of Documents, U. S. Government Printing Office, Washington, DC 20402. (202) 783-3238. In Chicago: Government Printing Office Bookstore, 219 S. Dearborn, Chicago, IL 60604. (312) 353-5133.

GOVERNMENT ASSISTANCE

Illinois Department of Commerce and Community Affairs, Small Business Assistance Bureau. Springfield Office: 620 East Adams, Springfield, IL 62701. (800) 252-2923 or (217) 785-7546. Chicago Office: 100 West Randolph St., Suite 3-400, Chicago, IL 60601. (312) 814-3263.

Illinois Department of Employment Security. Springfield Office: 1300 South Ninth St., P.O. Box 5657, Springfield, IL 62705. (217) 782-3846. Chicago Office: 401 South State St., Chicago, IL 60605. (312) 793-1911.

Illinois Department of Revenue. Springfield Office: 101 West Jefferson, Springfield, IL 62794. (800) 732-8866 or (217) 782-3336. Chicago Office: 100 West Randolph St., Chicago, IL 60601. (312) 814-5258.

U.S. Small Business Administration, Business Development Division. Springfield Office: 511 West Capitol, Springfield, IL 62705. (217) 492-4416. Chicago Office: 500 West Madison St., Suite 1250, Chicago, IL 60661. (312) 353-5428.

For more detailed information about the sources listed in this section, contact your local library for the following publications by category:

- Trade Associations -- Encyclopedia of Associations. Gale Research Company, Book Tower, Detroit, MI 48226.
- Directories and Reference Books -- Directories in Print. Gale Research Company, Book Tower, Detroit, MI 48226.
- Periodicals-- Gale Directory of Publications. Gale Research Company, Book Tower, Detroit, MI 48226.
- Financial Ratios and Government Publications -- Encyclopedia of Business Information Sources Gale Research Company, Book Tower, Detroit, MI 48226.